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Fine Wines and Parmesan Cheese as Bank Collateral

Report Categories:

Agriculture in the Economy

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Report Highlights:

In times of economic turndown why not accept Italian food as bank collateral? That is exactly what an Italian bank located in the Emilia-Romagna region (famous for its cheese and prosciutto production) has been doing.

General Information:

Parmesan as Collateral for Bank Loans

In times of economic turndown why not accept Italian food in exchange for a bank loan? That is exactly what an Italian bank located in the Emilia-Romagna region which is famous for its cheese and prosciutto production has decided to do. The Credito Emiliano has been accepting parmesan cheese as a form of collateral in exchange for loans which help support local cheese makers in times of difficulty since 1954. In order to safely store the vauluable cheese, the bank has two climate-controlled warehouses. Currently the warehouses hold 440,000 wheels of Parmesan cheese estimated to be worth €132 million (\$187.5 million.) The so-called “cheese bank loans” have allowed Italian cheese makers to stay in business for years while financing their operating expenses at convenient interest rates.

Each wheel of parmesan cheese weighs 80 pounds, is worth \$300, and is branded with a serial number so that it can be traced in case it is stolen. Once the bank accepts the cheese as collateral, it then oversees the entire aging process.

However, when loans are not repaid, Credito Emiliano sells the cheese to recover its investment, returning the difference to the producer. Parmesan cheese has been used for financial operations since the Middle Ages, and Credito Emiliano is now also considering accepting prosciutto, olive oil and wine.

Emilia-Romagna is the only area in the world legally allowed to use the Parmigiano-Reggiano name for the hard, dry, skim milk cheese that was first made in the region around 1200. Sales of Italian Parmesan cheese totaled \$1.54 billion in 2008, 25 percent from exports, according to the producers association, while producer prices for parmesan average at €7.27 a kilogram, (\$4.70 pound).

Wine should be used as collateral too

On the heels of Credito Emiliano's parmesan cheese bank loans, several leading Italian wine makers are now asking the Italian Banking Association (ABI) and Italian farmer associations to accept their exclusive wines along with other quality Italian products to be bankable as a way to combat the current credit crunch. The proposal has already received the blessing of Italy's Minister for Agriculture, Luca Zaia, who is a staunch supporter of "Made in Italy" food and geographic indicators. Italy alone has 182 DOP and IGP registered products, worth more than \$9.5 billion.

DOP - Denominazione di Origine Protetta, or Protected Denomination of Origin. This means that the product must be produced exclusively in a very limited and strictly defined area of production.

IGP - Indicazione Geografica Protetta, or Protected Geographic Indication. These products may come from a wider production area than DOP products.